

§ 32.19 Address for reports and correspondence.

Reports, statements, and correspondence submitted to the Federal Communications Commission in accordance with or relating to instructions and requirements contained herein shall be addressed to the Common Carrier Bureau, Federal Communications Commission, Washington, D.C., 20554.

§ 32.20 Numbering convention.

- (a) The number "32" (appearing to the left of the first decimal point) indicates the part number.
- (b) The numbers immediately following to the right of the decimal point indicate, respectively, the section or account. All Part 32 Account numbers contain 4 digits to the right of the decimal point.
- (c) Cross references to accounts are made by citing the account numbers to-the-right-of the decimal point; e.g., Account 2230 rather than the corresponding complete Part 32 reference number 32.2230.

§ 32.21 Sequence of accounts.

The order in which the accounts are presented in this system of accounts is not to be considered as necessarily indicative of the order in which they will be scheduled at all times in reports to this Commission.

§ 32.22 Comprehensive interperiod tax allocation.

(a) Companies shall apply interperiod tax allocation (tax normalization) to all book/tax temporary differences which would be considered material for published financial report purposes. Furthermore, companies shall also apply interperiod tax allocation if any item or group of similar items when aggregated would yield debit or credit entries which exceed or would exceed 5 percent of the gross deferred income tax expense debits or credits during any calendar year over the life of the temporary difference. The tax effects of book/tax temporary differences shall be normalized and the deferrals shall be included in the following accounts:

- 4100 Net Current Deferred Operating Income Taxes;
- 4110 Net Current Deferred Nonoperating Income Taxes;
- 4340 Net Noncurrent Deferred Operating Income Taxes;
- 4350 Net Noncurrent Deferred Nonoperating Income Taxes.

In lieu of the accounting prescribed herein, any company shall treat the increase or reduction in current income taxes payable resulting from the use of flow through accounting in prior years as an increase or reduction in current tax expense.

(b) The amount of deferred taxes which arise from the use of an accelerated method of depreciation shall be separately identified.

(c) The deferred tax assets contained in the accounts specified in paragraph (a) shall be reduced when it is likely that some portion or all of the deferred tax asset will not be realized. The amount should be sufficient to reduce the deferred tax asset to the amount that is likely to be realized.

(d) The nature of the specific temporary differences giving rise to both the debits and credits to the individual accounts shall be identified.

(e) Any company that uses accelerated depreciation (or recognizes taxable income or losses upon the retirement of property) for income tax purposes shall normalize the tax differentials occasioned thereby as indicated in paragraphs (e)(1) and (e)(2) of this section.

(1) With respect to the retirement of property the book/tax difference between

(i) the recognition of proceeds as income and the accrual for salvage value and

(ii) the book and tax capital recovery, shall be normalized .

(2) Records shall be maintained so as to show the deferred tax amounts by vintage year separately for each class or subclass of eligible depreciable telephone plant for which an accelerated method of depreciation has been used for income tax purposes. When property is transferred to nonregulated activities, the associated deferred income taxes and unamortized investment tax credits shall also be identified and transferred to the appropriate nonregulated accounts.

(f) The tax differentials to be normalized as specified in this section shall also encompass the additional effect of state and local income tax changes on Federal income taxes produced by the provision for deferred state and local income taxes for book/tax temporary differences related to such income taxes.

(g) Companies that receive the tax benefits from the filing of a consolidated income tax return by the parent company, (pursuant to closing agreements with the Internal Revenue Service, effective January 1, 1966) representing the deferred income taxes from the elimination of intercompany profits for income tax purposes on sales of regulated equipment, may credit such deferred taxes directly to the plant account which contains such intercompany profit rather than crediting such deferred taxes to the applicable accounts in paragraph (a) of this section. If the deferred income taxes are recorded as a reduction of the appropriate plant accounts, such reduction shall be treated as reducing the original cost of the plant and accounted for as such.

§ 32.23 Nonregulated activities.

(a) This section describes the accounting treatment of activities classified for accounting purposes as "nonregulated." Preemptively deregulated activities and activities (other than incidental or de minimis activities) never subject to regulation will be classified for accounting purposes as "nonregulated." Activities that qualify for incidental treatment under the policies of this Commission will be classified for accounting purposes as regulated activities. Tariffed activities and activities that have been deregulated by a state will be classified for accounting purposes as regulated activities. Activities that have been deregulated at the interstate level, but not preemptively deregulated, will be classified for accounting purpose as regulated activities until such time as this Commission decides otherwise. The treatment of nonregulated activities shall differ depending on the extent of the common or joint use of assets and resources in the provision of both regulated and nonregulated products and services.

(b) When a nonregulated activity does not involve the joint or common use of assets and resources in the provision of both regulated and nonregulated products and services, carriers shall account for these activities on a separate set of books consistent with instructions set forth in §§ 32.1406 and 32.7990. Transfer of assets and sales of products and services between the regulated activity and a nonregulated activity for which a separate set of books is maintained, shall be accounted for in accordance with the rules presented in § 32.27, Transactions with Affiliates. In the separate set of books, carriers may establish whatever detail they deem appropriate beyond what is necessary to provide this Commission with the information required in §§ 32.1406 and 32.7990.

(c) When a nonregulated activity does involve the common or joint use of assets and resources in the provision of regulated and nonregulated products and services, carriers shall account for these activities within accounts prescribed in this system for telephone company operations. Carriers shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not qualifying for incidental treatment, as provided in § 32.4999(f) shall be recorded in Account 5280. Nonregulated operating revenue. Amounts assigned or allocated to regulated products or services shall be subject to part 36 of this chapter.

§ 32.24 Compensated absences.

(a) Companies shall record a liability and charge the appropriate expense accounts for compensated absences (vacations, sick leave, etc.) in the year in which these benefits are earned by employees.

(b) With respect to the liability that exists for compensated absences which is not yet recorded on the books as of the effective date of this Part, the liability shall be recorded in Account 4120, Other Accrued Liabilities, with a corresponding entry to Account 1439, Deferred Charges. This deferred charge shall be amortized on a straight line basis over a period of ten years.

(c) Records shall be maintained so as to show that no more than ten percent of the deferred charge is being amortized each year.

§ 32.25 Unusual items and contingent liabilities.

Extraordinary items, prior period adjustments and contingent liabilities shall be recorded in the company's books of account in accordance with the requirements of GAAP

§ 32.26 Materiality

Companies shall follow this system of accounts in recording all financial and statistical data. When errors occur or better estimates become available, corrections should be made based on the GAAP criteria of materiality.

§ 32.27 Transactions with affiliates.

(a) Unless otherwise approved by the Chief, Common Carrier Bureau, transactions with nonregulated affiliates involving asset transfers into or out of the regulated accounts shall be recorded by the carrier in its regulated accounts as provided in paragraphs (b) through (f) of this section. Transactions with an annual threshold of \$250,000 or less per affiliate are exempt from §32.27.

(b) Assets sold or transferred between a carrier and its affiliate pursuant to a tariff, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariffed rate. Non-tariffed assets sold or transferred between a carrier and its affiliate that qualify for prevailing price valuation, as defined in part (d) below, shall be recorded at the prevailing price. For all other assets sold by or transferred from a carrier to its affiliate, or purchased by or transferred to a carrier from its affiliate, the assets shall be recorded at the seller's net book cost.

(c) Services provided between a carrier and its affiliate pursuant to a tariff, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariffed rate. Non-tariffed services provided between a carrier and its affiliate pursuant to publicly-filed agreements submitted to a state commission pursuant to section 252(e) of the communications Act of 1934 or statements of generally available terms pursuant to section 252(f) shall be recorded using the charges appearing in such publicly-filed agreements or statements. Non-tariffed services provided between a carrier and its affiliate that qualify for prevailing price valuation, as defined in part (d) below, shall be recorded at the prevailing price. For all other services provided by a carrier to its affiliate, or received by a carrier from its affiliate, the service shall be recorded at the seller's fully distributed cost.

(d) In order to qualify for prevailing price valuation in sections (b) and (c) of this rule, sales of a particular asset or service to third parties must encompass greater than 10 percent of the total quantity of such product or service sold by an entity. In the case of transactions for assets and services subject to section 272, a BOC may record such transactions at prevailing price regardless of whether the 10 percent threshold has been satisfied. In the case of nonregulated activities, a BOC may also record transactions at prevailing price regardless of whether the 10 percent threshold has been satisfied.

(e) Income taxes shall be allocated among the regulated activities of the carrier, its nonregulated divisions, and members of an affiliated group. Under circumstances in which income taxes are determined on a consolidated basis by the carrier and other members of the affiliated group, the income tax expense to be recorded by the carrier shall be the same as would result if determined for the carrier separately for all time periods, except that the tax effect of carry-back and carry-forward operating losses, investment tax credits, or other tax credits generated by operations of the carrier shall be recorded by the carrier during the period in which applied in settlement of the taxes otherwise attributable to any member, or combination of member, of the affiliated group.

(f) Companies that employ average schedules in lieu of actual costs are exempt from the provisions of this section. For other organizations, the principles set forth in this section shall apply equally to corporations, proprietorships, partnerships and other forms of business organizations.

Subpart C - Instructions for Balance Sheet Accounts

Subpart C – Instructions for Balance Sheet Accounts

§ 32.101 Structure of the balance sheet accounts.

The Balance Sheet accounts shall be maintained as follows:

Account 1120, Cash and Equivalents, through Account 1439, Deferred Charges shall include assets other than regulated-fixed assets.

Account 2001, Telecommunications Plant in Service, through Account 2007, Goodwill, shall include the regulated fixed assets.

Account 3100, Accumulated Depreciation, through Account 3600, Accumulated Amortization-Other, shall include the asset and deferred tax reserves.

Account 4010, Accounts Payable, through Account 4550, Retained Earnings, shall include all liabilities and stockholders equity.

§ 32.102 Nonregulated investments.

Nonregulated investments shall include the investment in nonregulated activities that are conducted through the same legal entity as the telephone company operations, but do not involve the joint or common use of assets or resources in the provision of both regulated and nonregulated products and services. See §§ 32.14 and 32.23.

§ 32.103 Balance sheet accounts for other than regulated-fixed assets to be maintained.

BALANCE SHEET ACCOUNTS

<u>Account Title</u>	<u>Account</u>
CURRENT ASSETS	
Cash and equivalents	1120
Telecommunications accounts receivable	1180
Accounts Receivable allowance - Telecommunications	1181
Other accounts receivable	1190
Accounts receivable allowance - other	1191
Note receivable	1200
Notes receivable allowance	1201
Interest and dividends receivable	1210
Material and supplies	1220
Prepayments	1280
Other current assets	1350
NONCURRENT ASSETS	
Investment in affiliated companies	1401
Investments in nonaffiliated companies	1402
Nonregulated investments	1406
Unamortized debt issuance expense	1407
Sinking Funds	1408
Other noncurrent assets	1410
Deferred tax regulatory asset	1437
Deferred maintenance and retirements	1438
Deferred charges	1439

§ 32.1120 Cash and equivalents.

(a) This account shall include the amount of current funds available for use on demand in the hands of financial officers and agents, deposited in banks or other financial institutions and also funds in transit for which agents have received credit.

(b) This account shall also include the amount of cash on special deposit, other than in sinking

and other special funds provided for elsewhere, to pay dividends, interest, and other debts, when such payments are due one year or less from the date of deposit; the amount of cash deposited to insure the performance of contracts to be performed within one year from date of the deposit; and other cash deposits of a special nature not provided for elsewhere. This account shall include the amount of cash deposited with trustees to be held until mortgaged property sold, destroyed, or otherwise disposed of is replaced, and also cash realized from the sale of the company's securities and deposited with trustees to be held until invested in physical property of the company or for disbursement when the purposes for which the securities were sold are accomplished.

(c) This account shall include the amount of cash advances to officers, agents, employees, and others as petty cash or working funds from which expenditures are to be made and accounted for.

(d) This account shall include the cost of current securities acquired for the purpose of temporarily investing cash, such as time drafts receivable and time loans, bankers' acceptances, United States Treasury certificates, marketable securities, and other similar investments of a temporary character.

(e) Accumulated changes in the net unrealized losses of current marketable equity securities shall be included in the determination of net income in the period in which they occur in Account 7300 - Nonoperating Income and Expense.

§ 32.1180 Telecommunications accounts receivable.

(a) This account shall include all amounts due from customers for services rendered or billed and from agents and collectors authorized to make collections from customers. This account shall also include all amounts due from customers or agents for products sold. This account shall be kept in such manner as will enable the company to make the following analysis:

(i) Amounts due from customers who are receiving telecommunications service.

(ii) Amounts due from customers who are not receiving service and whose accounts are in process of collection.

(b) Collections in excess of amounts charged to this account may be credited to and carried in this account until applied against charges for services rendered or until refunded.

§ 32.1181 Accounts receivable allowance - telecommunications.

(a) This account shall be credited with amounts charged to Account 5300, Uncollectible Revenue, to provide for uncollectible amounts included in Account 1180, Telecommunications Accounts Receivable. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credits to Account 1180. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to Account 5300, Uncollectible Revenue.

§ 32.1190 Other accounts receivable.

(a) This account shall include all amounts currently due, and not provided for in other accounts, such as those for traffic settlements, divisions of revenue, material and supplies, matured rents, and interest receivable under monthly settlements on short-term loans, advances, and open accounts.

(b) Amounts included in this account pertaining to affiliates shall not include amounts receivable from sales of telecommunications service provided at tariffed rates. Such amounts shall be included in Account 1180, Telecommunications Accounts Receivable.

(c) If any items included in this account are not to be paid currently they shall be transferred to Account 1410, Other Noncurrent Assets, or 1401, Investments in Affiliated Companies, as appropriate.

§ 32.1191 Accounts receivable allowance - other.

(a) This account shall be credited with amounts charged to Account 5300, Uncollectible Revenue- to provide for uncollectible amounts included in Account 1190, Other Accounts Receivable. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credits to Account 1190. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained uncollectible amounts shall be charged directly to Account , 5300, Uncollectible Revenue.

§ 32.1200 Notes receivable.

(a) This account shall include the cost of demand or time notes, bills and drafts receivable, or other similar evidences (except interest coupons) of money receivable on demand or within a time not exceeding one year from date of issue.

§ 32.1201 Notes receivable allowance.

(a) This account shall be credited with amounts charged to Account 6790, Provision for Uncollectible Notes Receivable to provide for uncollectible amounts included in Account 1200, Notes Receivable. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credit to Account 1200. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to Account 6790, Provision for Uncollectible Notes Receivable.

§ 32.1210 Interest and dividends receivable.

(a) This account shall include the amount of interest accrued to the date of the balance sheet on bonds, notes, and other commercial paper owned, on loans made, and the amount of dividends receivable on stocks owned.

(b) This account shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking and other funds.

(c) Interest receivable under monthly settlements on short-term loans, advances, and open accounts, shall be included in Account 1180, Telecommunications Accounts Receivable or Account 1190, Other Accounts Receivable, as appropriate

(d) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 1401, Investments in Affiliated Companies, as a reduction of the carrying value of the investment.

§ 32.1220 Inventories.

(a) This account shall include the cost of materials and supplies held in stock and inventories of goods held for resale or lease.

(b) This account shall not include items which are related to a nonregulated activity unless that activity involved joint or common use of assets and resources in the provision of regulated and nonregulated products and services.

(c) This account shall include cost of material and supplies held in stock including plant supplies, motor vehicles supplies, tools, fuel, other supplies and material and articles of the company in process of manufacture for supply stock. (Note also § 32.2000(c)(2)(iii) of this subpart.)

(d) Transportation charges and sales and use taxes, so far as practicable, shall be included as a part of the cost of the particular material to which they relate or shall be equitably apportioned among appropriate accounts .

(e) Material recovered in connection with construction, maintenance or retirement of property shall be charged to this account :

(1) The cost of repairing reusable material shall be charged to the appropriate account in the Plant Specific Operations Expense account.

(2) Scrap and nonuseable material included in this account shall be carried at the estimated amount which will be received therefor.

(f) Interest paid on material bills, the payments of which are delayed, shall be charged to Account . 7500 - Interest and Related Items.

(g) Periodic inventories of material and supplies shall be taken and the adjustments to this account shall be charged or credited to Account 6510 Other Property, Plant and Equipment Expense.

(h) This account shall also include the cost of all items purchased for resale or lease. The cost shall include applicable transportation charges, sales and use taxes, and cash and other purchase discounts. Items purchased for resale or lease Inventory shortage and overage shall be charged and credited, respectively, to Account 5280 Nonregulated operating revenue.

§ 32.1280 Prepayments.

(a) This account shall include the amounts of rents paid in advance of the period in which they are chargeable to income, except amounts chargeable to telecommunications plants under construction and minor amounts which may be charged directly to the final accounts. As the term expires for which the rents are paid, this account shall be credited monthly and the appropriate account charged.

(b) This account shall include the balance of all taxes, other than amounts chargeable to telecommunication plant under construction and minor amounts which may be charged to the final accounts, paid in advance and which are chargeable to income within one year. As the term expires for which the taxes are paid, this account shall be credited monthly and the appropriate account charged.

(c) This account shall include the amount of insurance premiums paid in advance of the period in which they are chargeable to income, except premiums chargeable to telecommunications plant under construction and minor amount which may be charged directly to the final accounts. As the term expires for which the premiums are paid, this account shall be credited monthly and the appropriate account charged.

(d) This account shall include the cost of preparing, printing, binding, and delivering directories and the cost of soliciting advertisements for directories, except minor amounts which may be charged directly to Account 6620, Customer Operations - Services. Amounts in this account shall be cleared to Account 6620 by monthly charges representing that portion of the expenses applicable to each month.

(e) This account shall exclude minor amounts which may be charged directly to the final accounts. As the term expires for which the payments apply, this account shall be credited monthly and the appropriate account charged.

§ 32.1350 Other current assets.

This account shall include the amount of all current assets which are not includable in Accounts 1120 through 1280.

§ 32.1401 Investments in affiliated companies.

(a) This account shall include the acquisition cost of the company's investment in equity or other securities issued or assumed by affiliated companies, other than securities held in special funds which shall be charged to Account 1408, Sinking Funds. The carrying value of the investment (securities) accounted for on the equity method shall be adjusted to recognize the company's share of the earnings or losses and dividends received or receivable of the affiliated company from the date of acquisition. (Note also Account 1210, Interest and Dividends Receivable, and Account 7300, Nonoperating Income and Expense)

(b) Declines in value of investments accounted for under the cost method shall be charged to Account 4540, Other Capital, if temporary and as a current period loss if permanent. Detail records shall be maintained to reflect unrealized losses for each investment.

(c) This account shall also include advances represented by book accounts only with respect to which it is carried or intended that they shall be either settled by issuance of capital stock or debt; or shall not be subject to current cost settlement.

(d) Amounts due from affiliated companies which are subject to current settlement shall be included in Account 1180, Telecommunications Account Receivable, Account 1190, Other Accounts Receivable, or Account 1200, Notes Receivable, as appropriate.

§ 32.1402 Investments in nonaffiliated companies.

(a) This account shall include the acquisition cost of the Company's investment in securities issued or assumed by nonaffiliated companies and individuals, other than securities held in special funds which shall be charged to Account 1408, Sinking Funds, and also its investment advances to such parties and special deposits of cash for more than one year from date of deposit.

(b) Declines in value of investment shall be charged to Account 4540, Other Capital, if temporary and as a current period loss if permanent. Detail records shall be maintained to reflect unrealized losses for each investment.

(c) This account shall also include advances represented by book accounts only with respect to which it is agreed or intended that they shall be either settled by issuance of capital stock or debt; or shall not be subject to current cost settlement.

(d) Amounts due from nonaffiliated companies which are subject to current settlement shall be included in Account 1180, Telecommunications Accounts Receivable, Account 1190, Other Accounts Receivable, or Account 1200, Notes Receivable, as appropriate.

§ 32.1406 Nonregulated investments.

This account shall include the carrier's investment in nonregulated activities accounted for in a separate set of books as provided in § 32.23(b).

§ 32.1407 Unamortized debt issuance expense.

(a) This account shall include the total unamortized balance of debt issuance expense for all classes of outstanding long-term debt. Amounts included in this account shall be amortized monthly and charged to Account 7500, Interest and Related Items.

(b) Debt Issuance expense includes all expenses in connection with the issuance and sale of evidence of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; costs of engraving and printing bonds, certificates of indebtedness, and other commercial paper; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen; fees and expenses of listing on exchanges, and other like costs.

§ 32.1408 Sinking funds.

(a) This account shall include the amount of cash and other assets which are held by trustees or by the company's treasurer in a distinct fund, for the purpose of redeeming outstanding obligations.

(b) Interest or other income arising from funds carried in this account shall generally be charged to this account.

§ 32.1410 Other noncurrent assets.

This account shall include the amount of all noncurrent assets which are not includable in Accounts 1401 through 1408.

§ 32.1437 Deferred Tax Regulatory Asset.

(a) This account shall include amounts of probable future net increases in revenues. (future revenue increases in excess of future revenue decreases) attributable to:

1) future net increases to taxes payable related to the tax effects of temporary differences accounted for under the flow-through method (future increases in excess of future decreases).

2) the impact of tax rate increases in excess of tax rate decreases on net deferred tax liabilities (deferred tax liabilities in excess of deferred tax assets) for those temporary differences underlying its existing balance.

3) the impact of tax rate decreases in excess of tax rate increases on net deferred tax assets (deferred tax assets in excess of deferred tax liabilities) for those temporary differences underlying its existing balance.

As net increases in revenue occur, amounts recorded in this account shall be reduced with a credit

entry and a debit entry to Account 4340, Net Noncurrent Deferred Operating Income Taxes.

(b) This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect of such adjustments reduce the account to a net credit balance, such balance shall be reclassified to Account 4361.

§ 32.1438 Deferred maintenance and retirements.

(a) This account shall include such items as the unprovided-for loss in service value of telecommunications plant for extraordinary non-recurring retirement not considered in depreciation and the cost of extensive replacements of plant normally chargeable to the current period Plant Specific Operations Expense accounts.

(b) Charges provided for in paragraph (a) above shall be included in this account only upon direction or approval from this Commission. However, the company's application to this Commission for such approval shall give full particulars concerning the property retired, the extensive replacements, the amounts chargeable to operating expenses and the period over which in its judgement the amount of such charges should be distributed.

§ 32.1439 Deferred charges.

(a) This account shall include all deferred charges not provided for in Accounts 1438, Deferred Maintenance and Retirements. Such charges include unaudited amounts and other debit balances in suspense that cannot be cleared and disposed of until additional information is received; the amount, pending determination of loss, of funds on deposit with banks which have failed; revenue, expense, and income items held in suspense; amounts paid for options pending final disposition.

(b) This account shall include the cost of preliminary surveys, plans, investigation, etc., made for construction projects under contemplation. If the projects are carried out, the preliminary costs shall be included in the cost of the plant constructed. If the projects are abandoned, the preliminary costs shall be charged to Account 7300, Nonoperating Income and Expense.

(c) This account shall include also the cost of valuations, inventories, and appraisals taken in connection with the acquisition or sale of property. If the property is subsequently acquired, the preliminary costs shall be accounted for as part of the cost of acquisition, or if it is sold, such costs shall be deducted from the sale price in accounting for the property sold. If purchases or sales are abandoned, the preliminary costs included herein (including options paid, if any) shall be charged to Account 7300, Nonoperating Income and Expense .

§ 32.2000 Instructions for telecommunications plant accounts.

(a) Purpose of telecommunications plant accounts.

(1) The telecommunications plant accounts (2001 to 2007 inclusive) are designed to show the investment in the company's tangible and intangible telecommunications plant which ordinarily has a service life of more than one year, including such plant whether used by the company or others in providing telecommunications service.

(2) The telecommunications plant accounts shall not include the cost or other value of telecommunications plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of telecommunications plant shall be credited to the accounts charged with the cost of such construction. Amounts of non-recurring reimbursements based on the cost of plant or equipment furnished in rendering service to a customer shall be credited to the accounts charged with the cost of the plant or equipment. Amounts received for construction which are ultimately to be repaid wholly or in part, shall be credited to Account 4360, Other Deferred Credits; when final determination has been made as to the amount to be returned any unrefunded amounts shall be credited to the accounts charged with the cost of such construction. Amounts received for the construction of plant, the ownership of which rests with or will revert to others, shall be credited to the accounts charged with the cost of such construction. (Note also Account 7100, Other Operating Income and Expense).

(3) When telecommunications plant ordinarily having a service life of more than one year is installed for temporary use in providing telecommunications service, it shall be accounted for in the same manner as plant having a service life of more than one year.

(4) The cost of individual items of equipment having a life less than one year or with an original cost less than an expense limit designated by a Company consistent with Generally Accepted Accounting Principles, shall be charged to the applicable Plant Specific Operations Expense accounts.

(b) The accounting for property, plant and equipment is to be recorded at original cost.

Depreciation and amortization of plant acquired shall be credited to Account 3100, Accumulated Depreciation, or Account 3200 Accumulated Depreciation-Held for Future Telecommunications Use, 3400, Accumulated Amortization-Tangible, 3500, Accumulated Amortization-Intangibles, and 3600, Accumulated Amortization-Other, and debited to Account 1439.

(c) Cost of construction.

In accounting for construction costs, the utility shall charge to the telecommunications plant accounts, where applicable, all direct and indirect costs: Labor, Engineering, Material and Supplies, Transportation, Contract Work, Protection, Privileges, Taxes, Allowance for Funds Used During Construction, and Other Related Costs.

(d) Telecommunications plant retired

(1) Telecommunications plant accounts shall at all times disclose the original cost of all property in service. When any item of property subject to plant retirement accounting is worn out, lost, sold, destroyed, abandoned, surrendered upon lapse of title, becomes permanently unserviceable,

is withdrawn or for any other reason is retired from service, the plant accounts applicable to that item shall be credited with the original cost of the plant retired whether replaced or not (except for minor items).

(2) When the telecommunications plant is sold together with traffic associated therewith, the original cost of the property shall be credited to the applicable plant accounts and the estimated amounts carried with respect thereto in the accumulated depreciation and amortization accounts shall be charged to such accumulated accounts. The difference, if any between the net amount of such debit and credit items and the consideration received (less commissions and other expenses of making the sale) for the property shall be included in Account 7350, Gains and Losses from Disposition of Certain Property. The accounting for depreciable telecommunications plant sold without the traffic associated therewith shall be in accordance with the accounting provided in § 32.3100(c) of this subpart.

(e) The basic property records must be

(i) subject to internal accounting controls,

(ii) auditable,

(iii) equal in the aggregate to the total investment reflected in the financial property control accounts, and

(iv) maintained throughout the life of the property.

(f) Standards for maintaining continuing property records

(1) Property records shall be maintained by original cost where appropriate.

Otherwise
averaging or estimates as described below shall be used.

(2) Averaging. Average costs may be developed for plant consisting of a large number of similar units. Units of similar size and type within each specified account may be grouped.

(3) Estimates. In cases where the actual original cost of property cannot be ascertained, such as pricing an inventory for the initial entry of a continuing property record or the pricing of an acquisition for which the continuing property record has not been maintained, the original cost may be estimated. Any estimated original cost shall be consistent with the accounting practices in effect at the time the property was constructed.

(g) Depreciation accounting

(1) Computation of depreciation rates.

Depreciation percentage and/or amortization rates shall be computed in conformity with a group plan of accounting for depreciation and shall be such that the loss in service value of the property, except for losses excluded under the definition of depreciation, may be distributed under the straight-line method during the service life of the property.

(2) Depreciation charges.

(i) A separate annual percentage rate for each depreciation category of telecommunications plant shall be used in computing depreciation charges.

(ii) Charges for currently accruing depreciation shall be made monthly to the appropriate depreciation accounts, and corresponding credits shall be made to the appropriate depreciation reserve accounts.

(iii) In certain circumstances, monthly charges may be determined in total or in part through the use of other amortization methods whereby selected plant balances or portions thereof are ratably distributed over appropriate periods.

(h) Plant Accounts to be Maintained by Class A and Class B telephone companies as indicated:

<u>Account Title</u>	<u>Account</u>
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REGULATED PLANT

Property, plant and equipment:

Telecommunications plant in service	2001 ¹
Property held for future telecommunications use	2002
Telecommunications plant under construction - short term	2003
Telecommunications plant under construction - long term	2004
Telecommunications plant adjustment	2005
Nonoperating plant	2006
Goodwill	2007

TELECOMMUNICATIONS PLANT IN SERVICE (TPIS)

Land and support assets	2110
Central office-switching	2210
Digital electronic switching	
Electro-mechanical switching	
Operator systems	2220
Central office-transmission	2230
Information origination/termination	2310
Cable and wire facilities	2410
Amortizable tangible assets	2680
Intangibles	2690

¹ Balance sheet summary account only

§ 32.2001 Telecommunications plant in service.

This account shall include the original cost of the investment included in Accounts 2110 through 2690.

§ 32.2002 Property held for future telecommunication use.

(a) This account shall include the original cost of property owned and held for no longer than two years under a definite plan for use in telecommunications service. If at the end of two years the property is not in service, the original cost of the property shall be transferred to Account 2006, Nonoperating Plant.

(b) Should a carrier desire to retain the property in this account for a period longer than two years, the Commission staff must be notified. The notification should include the property item in question, and indicate, as precisely as possible, the additional time required for the property to be held in this account.

§ 32.2003 Telecommunications plant under construction.

(a) This account shall include the original cost of construction projects.

(b) When any telecommunications plant, the cost of which has been included in this account, is completed ready for service, the cost thereto shall be credited to this account, and charged to the appropriate telecommunications plant or other accounts.

(c) if a construction project has been suspended , the cost of the project included in this account shall be transferred to account 2006, nonoperating plant, without further direction or approval of this commission. If a project is abandoned, the cost included in this account shall be charged to account 7300, Nonoperating Income and Expense.

§ 32.2004 [Removed]

§ 32.2005 Telecommunications plant adjustment.

(a) This account shall include amounts representing the difference between:

(1) the fair market value of the telecommunications plant acquired, plus preliminary expenses incurred in connection with the acquisition; and

(2) the original cost of such plant, governmental franchises and similar rights acquired, less the amounts of reserve requirements for depreciation and amortization of the property acquired. If the actual original cost is not known, the entries in this account shall be based upon an estimate of such costs.

(b) The amounts recorded in this account with respect to each property acquisition (except land and artworks) shall be disposed of, written off, or provision shall be made for the amortization thereof, as follows: § 32.2005 Telecommunications plant adjustment.

(1) Debit amounts may be charged to Account 7300 Nonoperating Income and Expense, in whole or in part, or amortized over a reasonable period without further direction or approval by this Commission. When specifically approved by this Commission, or when the provisions of paragraph (b)(3) of this section apply, debit amounts shall be amortized to Account 6560 Depreciation and Amortization Expense.

(2) Credit amounts shall be disposed of in such manner as this Commission may approve or direct, except for credit amounts referred to in paragraph (b)(3) of this section.

(3) Within one year from the date of inclusion in this account of a debit or credit amount with respect to a current acquisition, the company may dispose of the total amount from an acquisition of telephone plant by a lump-sum charge or credit, as appropriate, to Account 6560 without further approval of this Commission, provided that such amount does not exceed \$100,000 and that the plant was not acquired from an affiliated company.

§ 32.2006 Nonoperating plant.

This account shall include the company's investment in regulated property which is not includable in the plant accounts as operating telecommunications plant. It shall include the company's investment in telecommunications property held for sale. (Note also Account 1406, Nonregulated Investments.)

§ 32.2007 Goodwill.

(a) This account shall include any portion of the plant purchase price that cannot be assigned to specifically identifiable property acquired and such amount should be identified as "goodwill." Such amounts included in this account shall be amortized on a straight line basis over the remaining life of the acquired plant, not to exceed 40 years.

(b) the amounts included in this account shall be maintained to show the nature of each amount.

§ 32.2110 Land and support assets.

This account shall be used to record the original cost of land and support assets of the type and character required listed below.

(a) This account shall include the original cost of all land held in fee and of easements, and similar rights in land having a term of more than one year used for purposes other than the location of outside plant (See Account 2410) or externally mounted central office equipment (see Account 2210). It shall also include special assessments upon land for the construction of public improvements.

(b) When land is acquired for which there is not a definite plan for its use in telecommunications service, its costs shall be included in Account 2006, Nonoperating Plant.

(c) When land is acquired in excess of that required for telecommunications purposes, the cost of such excess land shall be included in Account 2006.

(d) Installments of assessments for public improvement, including interest, if any, which are deferred without option to the company shall be included in this account only as they become due and payable. Interest on assessments which are not paid when due shall be included in Account 7500, Interest and Related Items.

(e) When land is purchased for immediate use in a construction project, its cost shall be included in Account 2003, Telecommunications Plant Under Construction-Short Term, or Account 2004, Telecommunications Plant Under Construction-Long Term, as appropriate, until such time as the project involved is completed and ready for service.

(f) This account shall include the original cost of motor vehicles of the type which are designed and routinely licensed to operate on public streets and highways.

(g) This account shall include the original cost of aircraft and any associated equipment and furnishings installed as an integral part of the aircraft.

(h) This account shall include the original cost of special purpose vehicles.

(i) This account shall include the original cost of tools and equipment including the original cost of power operated equipment, general purpose tools and other items of work equipment.

(j) This account shall include the original cost of buildings, and the cost of all permanent fixtures, machinery, appurtenances and appliances installed as a part thereof. It shall include costs incident to the construction or purchase of a building and to securing possession and title.

(k) This account shall not include the cost of any telephone equipment or wiring apparatus for generating or controlling electricity for operating the telephone system.

(l) This account shall include the original cost of furniture in offices, storerooms, shops, and all other quarters. This account shall also include the cost of objects which possess aesthetic value, are of original or limited edition, and do not have a determinable useful life.

(m) This account shall include the original cost of office equipment in offices, shops and all other quarters.

(n) This account shall include the original cost of general purpose computers and peripheral devices

§ 32.2210 Central office - switching.

This account shall be used to record the original cost of switching assets of the type and character listed below.

(a) This account shall include the original cost of stored program control analog circuit-switching and associated equipment. This account shall also include the cost of remote analog electronic circuit switches.

(b) This account shall include the original cost of stored program control digital switches and their associated equipment. Included in this account are digital switches which utilize either dedicated or non-dedicated circuits. This account shall also include the cost of remote digital electronic switches.

(c) This account shall include the original cost of non-electronic circuit-switching equipment

(d) This account shall include the original cost of step-by-step and associated circuit-switching equipment.

(e) This account shall include the original cost of crossbar and associated circuit-switching equipment. Also included in this account is the cost of electronic translator system equipment used in switching.

(f) This account shall include the original cost of all other types of non-electronic circuit-switching equipment such as panel systems and their associated circuit-switching equipment.

(g) Switching plant excludes switchboards which perform an operator assistance function and equipment which is an integral part thereof. It does not exclude equipment used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic, dial tandem switchboards and special service switchboards used in conjunction with private line service.

§ 32.2220 Operator systems.

(a) This account shall include the original cost of those items of equipment used to assist subscribers in utilizing the network and equipment used in the provision of directory assistance, call intercept, and other operator assisted call completion activities.

(b) This account does not include equipment used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic, dial tandem switchboards and special service switchboards used in conjunction with private line service; such equipment shall be classified to Account 2210, Central Office Switching.

§ 32.2230 Central office - transmission.

This account shall be used to record the original cost of radio systems and circuit equipment of the type and character listed below.

a) This account shall include the original cost of ownership of radio transmitters and receivers.

b) This account shall include the original cost of ownership interest in satellites (including land-side spares), other spare parts, material and supplies. It shall include launch insurance and other satellite launch costs.

c) This account shall also include the original cost of earth stations and spare parts, material or supplies therefor.

d) This account shall include the original cost of radio equipment used to provide radio communication channels.

e) This account shall also include the associated carrier and auxiliary equipment and patch bay equipment which in an integral part of the radio equipment.

f) This account shall include the original cost of equipment which is used to reduce the number of physical pairs otherwise required to serve a given number of subscribers by utilizing carrier systems, concentration stages or combinations of both. It shall include equipment that provides for simultaneous use of a number of interoffice channels on a single transmission path.

g) This account shall also include equipment which is used for the amplification, modulation, regeneration, circuit patching, balancing or control of signals transmitted over interoffice communications transmission channels.

h) This account shall include equipment which utilizes the message path to carry signaling information or which utilizes separate channels between switching offices to transmit signaling information independent of the subscribers' communication paths or transmission channels. .

§ 32.2310 Information origination/termination.

This account shall be used to record the original cost of information origination/termination equipment of the type and character listed below.

a) This account shall include the original cost of station apparatus, including teletypewriter equipment, telephone and miscellaneous equipment, small private branch exchanges and radio equipment (excluding mobile), installed for customers' use.

b) The cost of cross-connection boxes, distributing frames or other distribution points which are installed to terminate intrabuilding network cable shall be charged to Account 2410, Cable and Wire Facilities.

c) Operator head sets and transmitter in central offices and at private branch exchanges, and test sets such as those used by wire chiefs, outside plant technicians, and others shall be included in Account 2110, Land and Support Assets or Account 2220 Operator Systems,, as appropriate.

d) Station apparatus for company official use shall be included in Account 2110, Land and Support Assets.

e) Periodic asset verifications as prescribed by GAAP shall be taken of all station apparatus in stock that are included in this account.

f) Items of station apparatus in stock for which no further use in the ordinary conduct of the business is contemplated, but which as a precautionary measure, are held for possible future contingencies instead of being discarded shall be excluded from this account and included in Account

1220, Inventories. (R-5)

g) This account shall include all amounts transferred from the former Account 232, Station Connections, inside wiring subclass.

h) This account shall include the original cost, including the cost of installation, of multiple manual private branch exchanges and of dial system private branch exchanges of types designed to accommodate 100 or more lines or which can normally be expanded to 100 or more lines, installed for customers' use. This account shall also include the original cost of other large installations of station equipment.

(1) which do not constitute stations,

(2) which require special or individual treatment because of their complexity, special design, or other distinctive characteristics, and

(3) for which individual or other specialized cost records are appropriate.

i) The cost of intrabuilding network cables including their associated cross-connection boxes, terminals, distributing frames, etc., is chargeable to Account. 2410, Cable and Wire Facilities.

j) The cost of outside plant, whether or not on private property, used with intrabuilding network cable shall be charged to the appropriate outside plant accounts.

k) Private branch exchanges for company official use shall be included in Account 2110, Land and Support Assets.

l) Embedded CPE is that equipment or inventory which is tariffed or otherwise subject to the jurisdictional separations process as of January 1, 1983. Inventories of large private branch exchanges equipment are included in Account 1220, Inventories.

m) This account shall include the original cost of coinless, coin-operated (including public and semi-public), credit card and pay telephones installed for use by the public.

n) This account shall also include the original cost of operating spares that are required to provide a continuity of service for public telephones.

o) The original cost of installing public telephone equipment shall not include the labor and minor materials costs of installing the public telephone equipment or premises wiring. These costs as well as the cost of replacing a public telephone shall be charged to Account 6310, Information Origination and Termination Expense. The labor and minor materials costs of removal of public telephones will also be charged to Account 6310.

p) This account shall include the original cost of other Non-CPE terminal equipment not specifically provided for elsewhere and items such as specialized communications equipment provided to meet the needs of the disabled, over-voltage protection equipment, multiplexing equipment to deliver multiple channels to customers, etc.

§ 32.2410 Cable and wire facilities.

This account shall be used to record the original cost of cable and wire facilities of the type and character listed below.

a) This account shall include the original cost of poles, crossarms, guys and other material used in the construction of pole lines and shall include the cost of towers when not associated with buildings. This account shall also include the cost of clearing pole line routes and of tree trimming but shall exclude the cost of maintaining previously cleared routes.

b) This account shall include the original cost of aerial cable and of drop and block wires served by such cable or aerial wire as well as the cost of other material used in construction of such plant.

c) The cost of permits and privileges for the construction of cable and wire facilities shall be included in this account.

d) This account shall include the original cost of underground cable installed in conduit and of other material used in the construction of such plant.

e) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be included in the account.

f) The cost of cables leading from the main distributing frame or equivalent to central office equipment shall be included in the appropriate switching, transmission or other operations asset account.

g) This account shall include the original cost of buried cable as well as the cost of other material used in the construction of such plant. This account shall also include the cost of trenching for and burying cable run in conduit .

h) This account shall include the original cost of submarine cable and other material used in the construction of such plant.

(i) This account includes the original cost of deep sea cable and other material used in the construction of such plant.

j) This account shall include the original cost of cables and wires located on the company's side of the demarcation point or standard network interface inside subscribers' buildings or between buildings on one customer's same premises. Intrabuilding network cables are used to distribute network access facilities to equipment rooms, cross-connection or other distribution points at which connection is made with customer premises wiring.

k) This account does not include the cost of cables or wires which are classifiable as network terminating wire, nor the cables or wires from the demarcation point or standard network interface to subscribers' stations.

l) This account shall include the original cost of bare line wire and other material used in the construction of such plant.

m) This account shall include the original cost of conduit, whether underground, in tunnels or on bridges, which is reusable in place. It shall also include the cost of opening trenches and of any repaving necessary in the construction of conduit plant.

n) The cost of pipes or other protective covering for inside wires shall be included in Account 6310, Information Origination/Termination Expense.

§ 32.2680 Amortizable tangible assets.

This account shall be used to record amounts for property acquired under capital leases and the original cost of leasehold improvements of the type of character listed below.

(a) This account shall include all property acquired under a capital lease. A lease qualifies as a capital lease when one or more of the following criteria is met:

(1) By the end of the lease term, ownership of the leased property is transferred to the lessee.

(2) The lease contains a bargain purchase option.

(3) The lease term is substantially (75% or more) equal to the estimated useful life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(4) At the inception of the lease, the present value of the minimum lease payments, excluding that portion of the payments representing executory costs to be paid by the lessor, including any profit thereon, equals or exceeds 90% or more of the fair value of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the

leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(b) All other leases are operating leases.

(c) The amounts recorded in this account at the inception of a capital lease shall be equal to the original cost, if known, or to the present value not to exceed fair value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.

(d) This account shall include the original cost of leasehold improvements made to telecommunications plant held under a capital or operating lease, which are subject to amortization treatment. This account shall also include those improvements which will revert to the lessor.

(e) Improvements to leased telecommunications plant which are of a relatively minor cost or short life or for which the period of the lease is one year or less shall be charged to the account chargeable with the cost of repairs to such plant.

(f) Amounts contained in this account shall be amortized over the term of the related lease.

§ 32.2690 Intangibles.

(a) This account shall include the cost of organizing and incorporating the company, the original cost of government franchises, the original cost of patent rights, and other intangible property, having a life of more than one year and used in connection with the company's telecommunications operations.

(b) Software that is to be expensed will be charged to the applicable expense account. The cost of other intangible assets having a life of one year or less shall be charged directly to Account 6560, Depreciation and Amortization Expense. Such intangibles acquired at small cost may also be charged to Account 6560, irrespective of their term of life.

(c) This account shall not include any discounts on securities issued, nor shall it include costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance, sale or resale of capital stock.

(d) When charges are made to this account for expenses incurred in mergers, consolidations, or reorganizations, amounts previously included in this account on the books of the various companies concerned shall not be carried over.

(e) Franchise taxes payable annually or more frequently shall be charged to Account 7200, Operating Taxes

(f) This account shall not include the cost of plant, material and supplies, or equipment furnished to municipalities or other governmental authorities when given other than as initial consideration for franchises or similar rights. (Note also Account 6720, General and Administrative Expense)